

Audit Report



BULK FUEL STORAGE AND DELIVERY
SYSTEM INFRASTRUCTURE FOR
YAKIMA TRAINING CENTER, WASHINGTON

Report No. D-2000-164

July 20, 2000

Office of the Inspector General
Department of Defense

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Acronyms

ACSIM	Assistant Chief of Staff for Installation Management
APC	Army Petroleum Center
DESC	Defense Energy Support Center
DLA	Defense Logistics Agency
FORSCOM	U.S. Forces Command
JP8	Jet Petroleum 8
MILCON	Military Construction
MACOM	Major Army Command
MR&E	Maintenance, Repair, and Environmental
MOGAS	Motor Gasoline
POS	Peacetime Operating Stock
YTC	Yakima Training Center



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July 20, 2000

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE
ARMY

SUBJECT: Audit Report on Bulk Fuel Storage and Delivery Systems
Infrastructure for Yakima Training Center, Washington (Report No.
D-2000-164)

We are providing this report for your information and use. We considered management comments on a draft of this report when preparing the final report. Management comments conformed to the requirements of DoD Directive 7650.3.

Questions on the audit should be directed to Ms. Deborah L. Carros at (703) 604-9217 (DSN 664-9217) or Mr. Wayne K. Million at (703) 604-9312 (DSN 664-9312). See Appendix B for the report distribution. The audit team members are listed inside the back cover.

A handwritten signature in black ink, reading "Robert J. Lieberman", is positioned above the typed name.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. D-2000-164

Project No. D1999-D000CG-0088.000

July 20, 2000

Bulk Fuel Storage and Delivery Systems Infrastructure for Yakima Training Center, Washington

Executive Summary

Introduction. This report is the first in a series that addresses the accuracy and reliability of maintenance, repair, environmental, and construction requirements for bulk fuel storage and delivery systems infrastructure.

In 1991, Program Budget Decision 735 authorized the transfer of military construction (MILCON) funding authority to the Defense Logistics Agency for bulk fuel infrastructure on military installations. Actual transfer of the funding responsibilities, however, has been managed in phases. The period from 1993 through 1996 was characterized by very low fuel-related DoD MILCON expenditures. Low levels of funding over an extended period precipitated infrastructure deterioration to the point where environmental issues became a concern. Additionally, the U.S. has changed from a forward-deployed force to one based largely in the continental United States. Therefore, DoD needs an enhanced en route refueling infrastructure to support deployment of U.S. Forces worldwide to meet requirements of a two major theatre war strategy. Consequently, demand for MILCON and maintenance, repair, and environmental projects supporting fuel infrastructure is growing.

Objectives. Our overall objective was to evaluate the accuracy and reliability of DoD maintenance, repair, environmental, and construction requirements for bulk fuel storage and delivery systems infrastructure. Specifically, this audit evaluated requirements for a new centralized bulk fuel storage facility located at Yakima Training Center, Yakima, Washington. We also evaluated the management control program as it related to the bulk fuel storage MILCON requirements validation process.

Results. The Army funded and contracted for construction of a bulk fuel storage MILCON project at the Yakima Training Center that was not supported by valid requirements. As a result, the Army is spending \$3.8 million to construct bulk fuel storage capacity that will be excess unless potential additional requirements are validated.

Summary of Recommendations. We recommend that Garrison Commander, Fort Lewis, and the Commander, U.S. Forces Command, establish procedures to review and validate bulk fuel storage project requirements in accordance with DoD and Army guidance. We also recommend that the Army Assistant Chief of Staff for Installation Management take appropriate action to ensure that the Army Petroleum Center reviews all MILCON bulk fuel storage project requirements before the projects are approved for funding.

Management Comments. The Army concurred with each of the recommendations. The Army nonconcurred with the finding and stated that the Army had a valid requirement for additional fuel storage beyond what was provided by the renovated fuel storage facility. The Army stated that the MILCON bulk fuel storage project was necessary to support training for an anticipated second brigade to be stationed at Fort Lewis, but that the MILCON project should have been reduced in scope. A discussion of the management comments is in the Finding section of the report, and the complete text is in the Management Comments section.

Audit Response. The Army did not have a valid requirement for additional fuel storage beyond what was provided by the renovated fuel storage facility because the installation did not have authorization for the fuel to support the anticipated additional brigade. In addition, current fuel usage documentation and FY 2001 authorized fuel inventory levels indicate that the storage capacity provided by the renovated storage facility remains sufficient. However, the Army may have an emerging requirement for the excess fuel storage capacity at the Yakima Training Center. Army management stated that they anticipate a dramatic increase in fuel consumption as a result of the new Interim Brigade Initiative, but they do not know how much of a fuel increase will be required and have not initiated action with the Defense Energy Support Center in accordance with DoD guidelines to request a fuel inventory increase.

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Introduction

This report is the first in a series being issued by the Inspector General, DoD, on DoD maintenance, repair, and environmental (MR&E) and military construction (MILCON) requirements for bulk fuel storage and delivery systems infrastructure (storage tanks, pipelines, dispensing facilities, hydrants, etc.). The Defense Logistics Agency (DLA) Defense Energy Support Center (DESC) is responsible for budgeting and funding MR&E and MILCON for DoD fuel terminals worldwide.

Background

DLA has been responsible for centrally managing and maintaining DoD worldwide fuel terminals in its MR&E program since 1985. The transfer of bulk fuel infrastructure MR&E responsibility from the Military Departments to DLA became known as Phase I of the OSD Integrated Material Management Program.

In 1991, Program Budget Decision 735 authorized the transfer of MILCON funding authority to DLA for fuel infrastructure on military installations. Actual transfer of the funding responsibilities, however, has been managed in two phases. In 1992 DLA assumed responsibility for facilities that store and distribute aviation fuels (Phase IIA sites) which included Air Force bases, Air National Guard activities, Navy and Marine Corps Air Stations, and Army fuel facilities.

Phase IIB of the OSD Integrated Material Management Program called for capitalizing* all remaining mobility fuels delivered into intermediate storage facilities. The DLA planned to capitalize Phase IIB sites in FY 1996. However, actual capitalization was dependent on the completion of the DLA Fuels Automated System initiative. The Fuels Automated System implementation has been significantly delayed, but DLA has funded some Phase IIB candidate sites for maintenance and repair to potentially reduce environmental problems and costs after capitalization.

The transfer of MILCON responsibility to DLA created a major funding issue because the defense budget had not increased DLA funding. The period from 1993 through 1996 was characterized by very low fuel infrastructure-related MILCON expenditures. During this period when the Services would have historically expended an average of \$66 million per year, DLA only averaged \$17 million. Low levels of funding over an extended period precipitated infrastructure deterioration to the point where environmental issues became a concern. Additionally, the U.S. has changed from a forward-deployed force to one based largely in the continental United States. Therefore, DoD needs an enhanced en route refueling infrastructure to support deployment of U.S. Forces

*Capitalization requires the transfer of ownership of the petroleum product from the Services to DLA.

worldwide to meet timeline requirements of a two major theatre war strategy. Consequently, demand for MILCON and MR&E projects supporting bulk fuel infrastructure is growing.

Fuels MILCON Funding Study. In 1997, the Office of the Deputy Under Secretary of Defense (Logistics) completed a study on DoD fuels MILCON funding. The study identified 114 MILCON projects totaling \$1.5 billion in fuel-related MILCON requirements to meet environmental, operational, and strategic planning objectives for the proposed Future Years Defense Program (FYs 1999 through 2003).

For FY 2000, DLA funded and approved \$100.2 million for 5 projects, and for FY 2001, DLA has approved 14 projects with an estimated cost of \$168 million.

Objectives

Our overall objective was to evaluate the accuracy and reliability of DoD MR&E and construction requirements for bulk fuel storage and delivery systems infrastructure. Specifically, this audit evaluated requirements for a new centralized bulk fuel storage facility located at Yakima Training Center, Yakima, Washington. We also reviewed the adequacy of the management control program as it applied to the audit objective. See Appendix A for a discussion of the audit scope and methodology and the review of the management control program.

Excess Bulk Fuel Storage Infrastructure

The Army funded and began construction of a bulk fuel storage MILCON project at the Yakima Training Center that was not supported by valid project requirements. This occurred because the Army did not adequately implement DoD and Army guidance that requires fuel-related MILCON project requirements to be reviewed, validated, and prioritized by installation senior management, the major Army command, and the service control point for bulk fuel storage facilities. As a result, the Army is spending \$3.8 million to construct bulk fuel storage capacity that will be excess unless potential additional requirements are validated.

Policy Guidance

DoD guidance prescribes policy for bulk fuel storage and delivery systems infrastructure. The guidance also documents the processes and assigns responsibilities for managing the infrastructure. Army policies and procedures implement the DoD guidance, and Army regulations on inventory management supply assign responsibilities for bulk fuel and related infrastructure.

DoD Directive 4140.25, "DoD Management Policy for Energy Commodities and Related Services," April 20, 1999. DoD Directive 4140.25 prescribes DoD policy for energy and related programs (i.e., petroleum, natural gas, coal, propellants, etc.). The Directive states that the programs shall support DoD peacetime and wartime missions and permit successful and efficient deployment and employment of forces. The Directive also states that DoD Components shall minimize inventories consistent with peacetime and contingency needs.

DoD Responsibilities. The directive designates the Deputy Under Secretary of Defense (Logistics) as the DoD central administrator for energy policy and overall management responsibility for petroleum. The Directive designates the Deputy Under Secretary of Defense (Installations) as the DoD central manager for energy policy on installations.

Defense Logistics Agency Responsibilities. The Director, DLA is responsible for planning, programming, and budgeting for facility maintenance and repair; environmental compliance of petroleum storage and distribution facilities; and construction of new permanent storage and distribution facilities. The DLA is required to coordinate these functions with the Services and Combatant Commanders.

Military Departments Responsibilities. The Directive states that the Secretaries of the Military Departments are responsible for the operation of petroleum facilities under their cognizance.

DoD 4140.25-M, "DoD Management of Bulk Petroleum Products, Natural Gas, and Oil," June 22, 1994. DoD 4140.25-M (the Manual) implements DoD Directive 4140.25 and prescribes policy guidance, supply operating procedures, and reporting instructions. The Manual assigns functional responsibilities for the integrated management of bulk petroleum products and associated bulk storage facilities.

MILCON and MR&E Project Review and Validation. The Manual states that the Combatant Command, Joint Petroleum Office and the service control points are responsible for MILCON and MR&E project review and validation, as well as for developing consolidated project priority lists. The Joint Petroleum Offices prioritize overseas projects. The Joint Petroleum Offices and the service control points forward candidate projects and consolidated project priority lists to DESC.

Bulk Fuel Inventory Categories. The Manual establishes two categories of liquid petroleum products: peacetime operating stock (POS) and petroleum wartime reserve stock.

POS Computations. The POS is the amount of fuel required to sustain peacetime operations in support of military demands to be maintained at a Defense fuel supply point. The Manual provides the formula for computing POS levels and requires DESC to compute POS and to publish an inventory management plan that lists approved inventory levels and requirements by location. The formula for POS gives emphasis to actual prior year fuel usage. Installations must justify variances of more than ten percent between projected requirements and actual prior year usage.

Petroleum Wartime Reserve Stock. Petroleum wartime reserve stock is inventory held in support of petroleum wartime reserve requirements.

Army Regulation 710-2, "Inventory Management Supply Policy Below the Wholesale Level," October 31, 1997. Army Regulation 710-2 states that sufficient tankage must be available to store peacetime operating stock and that normal peacetime operations require maintaining fuel stock necessary to support 5 days of normal operations. Army Regulation 710-2 also assigns responsibility for reviewing all plans for new construction, modifications, or upgrades of petroleum facilities to the US Army Petroleum Center.

Army Regulation 415-15, "Army Military Construction Program Management and Execution," August 30, 1994. Army Regulation 415-15 requires that the major Army commands (MACOMs):

- provide guidance and assistance to their installations and activities in MILCON program development; and
- review project documentation to ensure that requirements are valid and conform to current objectives, policies, and procedures.

Army Regulation 415-15 also requires that the commanders of installations will

- prepare and submit completed project documentation on designated projects per MACOM instructions;
- review and approve functional, operability, and maintainability characteristics of all MILCON project concept designs for their installations;
- participate in the development, justification, and execution of all MILCON projects in design and construction for their installations; and
- advise the MACOM of any circumstances that may cancel a requirement or change the scope of a proposed MILCON project.

Yakima Training Center Bulk Fuel Storage Requirements

The Yakima Training Center (YTC) is a sub-installation of Fort Lewis, Washington, and a U.S. Forces Command (FORSCOM) installation. The YTC is a designated warfighting center and power projection platform for mobilizing Forces. The YTC maintained two fueling stations in support of its training and mobilization mission. The DLA did not capitalize YTC fueling facilities until March 30, 2000.

Bulk Fuel Inventory Authorized. The YTC stored only POS fuel inventory because the YTC had no petroleum wartime reserve requirements. The Army Petroleum Center (APC) determined POS authorization levels for YTC because the APC is the Army service control point and had responsibility for POS computations at Army facilities not yet capitalized by DESC. The DESC will determine FY 2001 POS authorization.

Existing Fuel Storage Infrastructure. The two fuel stations located at YTC had a combined total storage capacity of 220,000 gallons of jet petroleum 8 (JP8) fuel, diesel fuel, and motor gasoline (MOGAS) until FY 1996. Fuel station-1 had seven 20,000-gallon horizontal above ground tanks - three tanks for MOGAS; two tanks for diesel fuel; and two tanks for JP8 fuel. Fuel station-2 had four 20,000-gallon horizontal above ground tanks containing diesel fuel. Fuel station-2 also supported the two diesel tanks of fuel station-1 with a gravity feed system. Table 1 shows each fuel station capacity by type of fuel.

Table 1. Existing Bulk Fuel Storage Capacity (gallons)			
<u>Type of Fuel</u>	<u>Fuel Station-1 Capacity</u>	<u>Fuel Station-2 Capacity</u>	<u>Total Existing Capacity</u>
JP8	40,000	0	40,000
Diesel	40,000	80,000	120,000
MOGAS	60,000	0	60,000
Total	140,000	80,000	220,000

Bulk Fuel Storage Facility Deficiencies. In July 1993, YTC management personnel determined that existing bulk fuel storage facilities were inadequate because:

- existing JP8 fuel tank storage capacity was insufficient to support a 10-day heavy brigade training exercise;
- diesel fuel tanks were leaking;
- storage tanks did not allow access to all stored fuel from any tank;
- storage tanks had no monitoring systems to prevent overfill; and
- spill berms, intended to contain fuel spills, were no longer effective.

To remedy these deficiencies, YTC management planned to construct a new centralized bulk fuel storage and dispensing facility with seven 50,000-gallon above ground tanks. In July 1993, YTC personnel documented the project requirements and justification in a DD Form 1391 to request FY 1995 Army MILCON funds. The Office of the Assistant Chief of Staff for Installation Management (ACSIM), Department of the Army, denied FYs 1995 and 1997 military construction funding for the centralized bulk fuel storage facility due to the lack of available funds.

Bulk Fuel Facility Repair and Renovation Efforts

In March 1995, YTC personnel submitted MR&E project documentation to repair and renovate both existing fuel stations because future funding approval for the centralized bulk fuel storage facility MILCON project was uncertain.

Although DESC had not yet capitalized the YTC bulk fuel storage facilities, the DESC approved and funded two MR&E projects in FY 1996 to repair and renovate fuel station-1 and to empty, clean, and decommission the storage tanks at fuel station-2. The fuel station-1 MR&E project upgraded the storage tanks and reconfigured the fuel storage to five 20,000 gallon JP8 fuel tanks, one 20,000 gallon diesel fuel tank, and one 20,000 gallon MOGAS tank. The

MR&E project increased JP8 fuel storage capacity from 40,000 gallons to 100,000 gallons, but did not increase the YTC combined bulk fuel storage capacity. The MR&E project documentation indicated that the reconfigured storage capacity would meet the YTC minimum storage capacity required in case funding for the new bulk fuel storage MILCON project was not approved for FY 1999. The MR&E project construction began in April 1997 and was completed in April 1998 for a total cost of \$1.3 million. Table 2 shows the YTC bulk fuel storage capacity by fuel type after MR&E project completion.

Table 2. Bulk Fuel Storage Capacity After MR&E Project (gallons)			
Type of Fuel	Fuel Station-1 Capacity	Fuel Station-2 Capacity	Total Existing Capacity
JP8	100,000	0	100,000
Diesel	20,000	0	20,000
MOGAS	20,000	0	20,000
Total	140,000	0	140,000

Centralized Bulk Fuel Storage Facility MILCON Project

In February 1998, ACSIM approved FY 1999 Army MILCON funding for the centralized bulk fuel storage facility MILCON project initiated by YTC personnel in FY 1993. The MILCON project requirements were based on unsupported forecasted data and provided for bulk fuel storage capacity in excess of authorized fuel inventory. In addition, the MILCON project documentation approved by the Army did not accurately reflect remedied environmental conditions and reconfigured bulk fuel storage capacity.

Bulk Fuel Storage Facility MILCON Project Based on Unsupported Forecasted Requirements. The MILCON project documentation cited a requirement for a centralized bulk fuel storage facility with a 350,000-gallon fuel storage capacity to support an average 10-day heavy brigade training exercise. Army personnel at YTC, Fort Lewis, and APC were unable to provide documentation to support the forecasted requirement for 35,000 gallons per day for a 10-day training period.

The YTC Installation Services. The YTC installation services personnel could not provide documentation to support the forecasted requirement for 35,000 gallons per day for a 10-day training period. Electronic messages, dated July 1999, between Fort Lewis senior management and YTC installation services personnel indicated that installation services personnel had "not actually computed a fuel forecast" but had looked at the equipment density for the units assigned to train at the YTC in the event of mobilization. In our interviews with installation services personnel, they stated that the new facility was designed for future growth and to perform more multiple brigade training. The installation services personnel also stated that YTC planned the facility for maximum usage against the

worst case scenario that included fuel resupply interruptions. The installation services personnel could not document any previous fuel supply interruptions. Documentation obtained from installation services personnel indicated that resupply interruptions were a concern only during the winter months when they do not perform multiple brigade training and the training events do not involve large numbers of vehicles.

Fort Lewis Directorate of Public Works. Fort Lewis Public Works Office personnel assisted in developing the DD Form 1391 MILCON project request for the bulk fuel storage facility MILCON project. The Public Works Office personnel, however, could not locate any documentation to support the 10-day requirement for 350,000 gallons of fuel.

Fort Lewis Operations. Engineering personnel at Headquarters I Corps, Fort Lewis, could not justify or document the 35,000 gallons per day, 10-day fuel requirement. The engineering personnel stated that engineers that had participated in the MILCON project were no longer at Fort Lewis. The engineers currently assigned to Fort Lewis were not familiar with the MILCON project requirements, and they did not believe the MILCON project had been revalidated by Fort Lewis personnel between the FY 1993 original project submission and the February 1998 project funding approval.

Army Petroleum Center. In an electronic message to the YTC Director of Installation Services dated June 1999, APC personnel explained that the YTC request for additional fuel was not supportable and that the DESC would not store fuel at a facility unless the fuel was authorized peacetime operating stock. The APC personnel could not justify a 10-day fuel supply and stated that normal peacetime operations only require a 5-day supply.

The MILCON Project Provided for Excess Bulk Fuel Storage Capacity. The APC personnel stated that they followed the POS computation formula outlined in DoD 4140.25-M to compute POS authorization levels. APC personnel computed the following 1999 Peacetime Operating Stock Authorization for YTC based on calendar year 1998 actual consumption factors:

- 78,000 gallons JP8 fuel,
- 23,215 gallons diesel fuel, and
- 12,535 gallons MOGAS.

Table 3 shows that the reconfigured bulk fuel storage capacity exceeded authorized peacetime operating stock levels and did not support the MILCON project requirement for additional fuel storage.

Table 3. Bulk Fuel Inventory Required vs. Existing Storage Capacity
(gallons)

Type of Fuel	Authorized POS Fuel Inventory	Bulk Fuel Storage Capacity
JP8	78,000	100,000
Diesel	23,215	20,000
MOGAS	12,535	20,000
Total	113,750	140,000

The YTC Fuel Facility Assessment. APC and DESC performed an assessment of the fuel facilities at YTC while the construction project for the centralized bulk fuel storage facility was pending award. The assessment determined that

- the consolidated and upgraded fuels infrastructure did not require replacement,
- the pending MILCON project for a new bulk fuel storage facility would more than double fuel storage capacity even though the Peacetime Operating Stock Authorization had not increased,
- the existing facility alone exceeded storage capacity required for peacetime operating stock, and
- the existing fuel facility provides consolidated mobility fuel support for the entire training complex.

The assessment also concluded that the existing fuel facility “meet[s] current operational, environmental and safety requirements [and] is operated and maintained at a highly efficient level.”

Table 4 shows the YTC total bulk fuel storage capacity by fuel type after the MILCON project is completed.

Table 4. Yakima Training Center Bulk Fuel Storage Capacity
(gallons)

Type of Fuel	Existing Fuel Capacity	Centralized Fuel Station	Total Available Capacity
JP8	100,000	300,000	400,000
Diesel	20,000	25,000	45,000
MOGAS	20,000	25,000	45,000
Total	140,000	350,000	490,000

The MILCON Project Documentation Did Not Reflect Existing Bulk Fuel Storage Capacity. The approved MILCON project documentation did not accurately reflect the completed MR&E repair and renovation effort that increased JP8 bulk fuel storage capacity by 250 percent from 40,000 gallons to 100,000 gallons. The DD Form 1391 stated that

POL-1 [fuel station-1] stores 40,000 gallons of diesel fuel, 60,000 of mogas fuel, and 40,000 gallons of JP-8 fuel POL-2 [fuel station-2] . . . is not being used because it does not have spill containment and does not meet current federal and state regulations for fuel dispensing. These storage tanks need to be cleaned and relined in order to store JP-8 fuel If the monitoring equipment and berm are not provided, these existing tanks will not meet the current Environmental Protection Agency (EPA) requirements and will have to be shut down.

Yakima Training Center personnel did not update the data in the DD Form 1391, dated February 2, 1998, to reflect the \$1.3 million MR&E project that repaired and renovated the existing bulk fuel storage facilities. The MR&E project construction was completed approximately 60 days after the MILCON DD Form 1391 date.

Army Bulk Fuel MILCON Requirements Validation Process

The Army funded the YTC bulk fuel storage MILCON project because the Army did not adequately implement DoD and Army guidance that requires fuel-related MILCON project requirements to be reviewed by installation senior management, reviewed and validated by the MACOM, and reviewed and prioritized by the service control point.

Installation Project Review. Fort Lewis senior management did not adequately implement Army Regulation 415-15 requirements to review the functional, operability, and maintainability requirements of the new bulk fuel storage facility MILCON project. Fort Lewis personnel reviewed the MILCON project, but the project submission included requirements for unsupported forecasted data and storage capacity that did not support authorized fuel stock inventory. In addition, installation management personnel did not cancel or revise the scope of the MILCON project submission to reflect current bulk fuel storage facility renovation and repair efforts that already exceed requirements.

MACOM Project Review and Validation. FORSCOM personnel did not adequately implement Army Regulation 415-15 requirements to ensure that documented project requirements were valid and conformed to current objectives, policies, and procedures. The FORSCOM personnel stated that the project validation process included reviewing the DD Form 1391 for completeness and accuracy and performing an engineering review of the technical project requirements. Although FORSCOM personnel approved the new bulk fuel storage facility MILCON project, we do not believe that FORSCOM personnel performed an adequate review of the project requirements because the project submission included requirements for unsupported forecasted data and storage capacity that did not support authorized fuel stock inventory.

APC Recommendations to FORSCOM. A memorandum from the APC to the Deputy Chief of Staff for Logistics and Readiness, FORSCOM, dated December 16, 1997, outlined the inadequacies of Army MR&E and MILCON fuel-related project submissions to APC. The memorandum cited lack of installation and MACOM engineering involvement throughout the project development process, submission of poorly documented projects, and requests for fuel storage in excess of authorized fuel stockage levels.

FORSCOM Personnel Recognized Process Inadequacies. FORSCOM personnel provided briefing charts prepared by the Office of the Deputy Chief of Staff for Logistics, FORSCOM, that documented Army MILCON and MR&E process inadequacies and recommendations to address the inadequacies. The briefing charts indicated that the key problem was that FORSCOM did not have a focal point for managing fuel-related MR&E and MILCON programs. The briefing charts also identified issues that resulted from the problem. FORSCOM personnel stated that they had not implemented the recommendations because of manpower shortages.

Service Control Point Project Review and Prioritization. The Army did not implement the DoD 4140.25-M requirement that the service control point must review and validate bulk fuel-related MILCON projects and develop a consolidated project priority list. Army Regulation 710-2 requires that APC review all plans for new construction, modifications, or upgrades of petroleum facilities. The FORSCOM personnel submitted the MILCON project to ACSIM for Army MILCON funding approval, but did not submit the project to APC for review. As previously stated, ACSIM approved MILCON funding before APC performed a facility assessment that determined the project requirements were unsupported.

We were unable to determine, however, whether ACSIM policy for approving MILCON projects included procedures for determining that bulk fuel storage facility project requirements were reviewed and prioritized by the APC. The APC personnel stated that Army policy for bulk fuel storage facility projects requires the MACOMs to submit project documentation to APC for review. Interviews with APC personnel indicated that other Army bulk fuel storage facility projects have also been approved without APC review. In addition, an April 1998 electronic message from the Office of the Deputy Chief of Staff for Logistics, Department of the Army, requested that the ACSIM identify fuel-related MILCON projects that APC did not review. The message emphasized the importance of the APC review process to ensure "that there are adequate fuel requirements to support the size of the project."

As the Army service control point for petroleum facilities, APC should have oversight into all Army fuel-related MR&E and MILCON projects. Projects not submitted for APC review cannot be prioritized by the APC to ensure that the highest priority Army projects are recommended for funding approval.

Excess Bulk Storage Operation and Maintenance Costs

Because the Army did not adequately implement DoD and Army guidance for reviewing and validating fuel-related MILCON project requirements, the Army must fund the operation and maintenance of a bulk fuel storage facility that exceeds fuel inventory requirements.

DESC only capitalizes facilities that support POS, and only capitalized facilities are eligible for DESC MR&E funding. Based on the YTC authorized POS, the 350,000-gallon storage capacity provided by the new centralized bulk fuel storage facility is not eligible for capitalization. On March 30, 2000, DESC capitalized the renovated facility. The DESC will not capitalize the new centralized bulk fuel storage facility because it does not support POS.

The APC personnel stated that fuel storage tanks not in use cost as much, or more, to maintain than storage tanks that regularly receive and issue fuel. Therefore, the Army must fund the operation and maintenance of a new centralized YTC bulk fuel storage facility that does not support currently validated fuel inventory requirements.

Management Comments on the Finding and Audit Response

Management Comments on the Requirement for Additional Fuel Storage. The Garrison Commander, Fort Lewis, nonconcurred with the finding and stated that the Yakima Training Center had a requirement for the new fuel storage facility. The Commander stated that the new storage facility enhanced the training support mission and their mission as a mobilization station. Further, they anticipate a dramatic increase in vehicle miles and fuel consumption because of the new Interim Brigade Initiative to create two motorized brigades at Fort Lewis. The FORSCOM also nonconcurred with the finding and stated that additional bulk fuel storage was necessary to support training for an anticipated second brigade to be stationed at Fort Lewis and to relocate the fuel facility to the training area. The FORSCOM stated that planning for the facility was based on a surge requirement to meet training requirements and not on sustained annual usage. The ACSIM partially nonconcurred with the finding and stated that the Army has a valid requirement for additional fuel storage beyond what was provided by the renovated fuel storage facility, however, they stated that the MILCON project to build the new fuel storage facility should have been reduced in scope and that they will ensure similar actions do not occur in the future. The ACSIM also stated that the need for a 10-day supply of fuel is a judgement call and that National Training Center data on fuel requirements supported their requirement for a 350,000-gallon total storage capacity.

Audit Response. The Army executed a bulk fuel storage MILCON project to support an unauthorized fuel inventory in anticipation of a mission change. The

Army did not have a valid requirement for additional fuel storage beyond what was provided by the renovated fuel storage facility because the installation did not have authorization for fuel to support the anticipated second brigade. Fuel storage infrastructure must be supported by fuel inventory requirements, and fuel inventory requirements are calculated by the DESC with input from installations in accordance with DoD guidelines. The DoD Directive 4140.25 prescribes procedures for installations requesting fuel inventory increases of more than ten percent over prior year actual usage. Current fuel usage documentation and the FY 2001 authorized fuel inventory for Yakima Training Center indicate that the storage capacity provided by the renovated storage facility remains sufficient.

However, the Army may have an emerging requirement for the excess fuel storage capacity at the Yakima Training Center based on the anticipated dramatic increase in fuel consumption resulting from the new Interim Brigade Initiative. The Army does not know how much fuel will be required to support this initiative and has not initiated action with DESC guidelines to request a fuel inventory increase. We believe it would be prudent to begin coordination with DESC on the fuel inventory request because DESC recently capitalized the Yakima Training Center fuel inventory and because the Army will be requesting a fuel increase of approximately 300%.

Recommendations and Management Comments

We recommend that the:

- 1. Garrison Commander, Fort Lewis, establish procedures to implement Army Regulation 415-15, "Army Military Construction Program Management and Execution," August 30, 1994, to**
 - a. Review and approve the functional, operability, and maintainability characteristics for all military construction projects concept designs.**
 - b. Advise the U.S. Forces Command of any circumstances that may cancel the requirement or change the scope of a proposed military construction project.**

Management Comments. Fort Lewis management concurred with the recommendations and issued a memorandum directing compliance with Army MILCON procedures.

- 2. Commander, U.S. Forces Command,**
 - a. Establish procedures to implement Army Regulation 415-15, "Army Military Construction Program Management and Execution," August 30, 1994, to review project documentation to ensure that requirements are valid and conform to current objectives, policies, and procedures.**

-
- b. Establish procedures to implement Army Petroleum Center policy that requires the major Army commands to submit fuel storage facility projects to the Army Petroleum Center for review.**

Management Comments. The U.S. Forces Command concurred with the recommendations, stating that U.S. Forces Command has procedures in place to annually review military project justifications and to coordinate fuel storage facility projects with the Army Petroleum Center.

3. Assistant Chief of Staff for Installation Management, Department of the Army, review existing policies and procedures to determine whether fuel storage facility projects for uncapitalized facilities are reviewed by the Army Petroleum Center before projects are approved for funding.

Management Comments. The ACSIM concurred.

Appendix A. Audit Process

Scope

Work Performed. We reviewed DoD and Army guidance for validating bulk fuel storage infrastructure project requirements and made on-site visits to determine whether the guidance was adequately implemented. We reviewed the policies and procedures followed by Army personnel to review and validate the new construction requirement for a centralized fuel station at Yakima Training Center. We also reviewed the fuel consumption reports at Yakima Training Center from calendar year 1995 to August 1999.

DoD-Wide Corporate Level Government Performance and Results Act (GPRA) Coverage. In response to the GPRA, the Department of Defense annually establishes DoD-wide corporate level goals, subordinate performance goals, and performance measures. This report pertains to achievement of the following goal, subordinate performance goal, and performance measure:

FY 2000 DoD Corporate Level Goal: Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. **(00-DoD-2) FY 2000 Subordinate Performance Goal 2.3:** Streamline the DoD infrastructure by redesigning the Department's support structure and pursuing business practice reforms. **(00-DoD-2.3) FY 2000 Performance Measure 2.3.1:** Percentage of the DoD Budget Spent on Infrastructure. **(00-DoD-2.3.1)**

General Accounting Office High Risk Area. The General Accounting Office has identified several high risk areas in the DoD. This report provides coverage of the Defense Infrastructure high risk area.

Methodology

Audit Type, Dates, and Standards. This economy and efficiency audit was performed from August 1999 through April 2000, in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We did not use computer-processed data to perform this audit.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available on request.

Management Control Program

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provide reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of the Management Control Program. We reviewed the adequacy of Army management controls over bulk fuel storage MILCON projects. Specifically, we reviewed management controls over the review and validation process for bulk fuel storage MILCON project requirements. We reviewed management's self-evaluation applicable to those controls.

Adequacy of Management Controls. We identified material management control weaknesses for the Army as defined by DoD Directive 5010.40. Army management controls for MILCON projects were not adequate to ensure that bulk fuel storage MILCON project requirements were adequately reviewed and validated. Recommendations 1.a., 1.b., 2.a., 2.b. and 3, if implemented, will establish controls within Army procedures to ensure bulk fuel storage MILCON project requirements are adequately reviewed and validated. A copy of the final report will be provided to the senior official responsible for management controls in the Department of the Army.

Adequacy of Management's Self-Evaluation. Army officials did not identify bulk fuels storage MILCON projects as an assessable unit and, therefore, did not identify or report the material management control weaknesses identified by the audit.

Prior Coverage

No prior coverage has been conducted on Yakima Training Center bulk fuels storage during the last 5 years.

Appendix B. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Deputy Under Secretary of Defense (Installations)
Director, Defense Logistics Studies Information Exchange

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Assistant Chief of Staff for Installation Management
Commander, U.S. Forces Command
Garrison Commander, Fort Lewis
Auditor General, Department of the Army
Director, Army Petroleum Center

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Defense Organizations

Director, Defense Logistics Agency

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
General Accounting Office
National Security and International Affairs Division
Technical Information Center

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Information, and Technology,
Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International
Relations, Committee on Government Reform

Department of the Army Comments



REPLY TO
ATTENTION OF

DAIM-FD

DEPARTMENT OF THE ARMY
ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT
600 ARMY PENTAGON
WASHINGTON DC 20310-0600



JUN 28 2000

MEMORANDUM THRU *Gr 28 Jun 00*
ARVEL J. EDENS, JR., LTC, GS, DDECC
DIRECTOR OF THE ARMY STAFF
Paul W. Johnson
Deputy Assistant Secretary of the Army
(Installations and Housing)
DEPUTY ASSISTANT SECRETARY OF THE ARMY (I&H) 28 JUN 2000

FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE, THE CONTRACT
MANAGEMENT DIRECTORATE, ATTN: 400 ARMY NAVY DRIVE,
ARLINGTON, VIRGINIA 22202-2884

SUBJECT: Audit Report on Bulk Fuel Storage and Delivery Systems Infrastructure
Requirements for Yakima Training Center, Washington (Project No. D1999-D000CG-0088.000)
(formerly Project No. 9CG-5049.00)

1. Concur with the subject report's recommendation 3, which recommends review of policy and procedure to insure that Army Petroleum Center reviews fuel storage facility projects before projects are approved for funding.
2. Non-concur with the report findings, "The Army funded and contracted for construction of a bulk fuel storage MILCON project at the Yakima Training Center that was not supported by valid project requirements." This office believes there is a valid requirement for additional fuel storage at Yakima beyond what is supplied by the renovated fuel facility. Since a thorough search did not produce the original supporting documents, this office gathered supporting information to size the facility. We do not accept the report's general assertion that the small existing facility would suffice as the only fuel supply point for Yakima and that the Army could have saved the entire \$3.9M. We acknowledge that the FY 99 MILCON project should have been reduced in scope to account for the storage capacity provided by a renovated existing fuel facility prior to award of the construction contract and will ensure that similar actions do not occur in the future. Request you revise your findings to, "The Army funded and contracted for construction of a bulk fuel storage MILCON project at the Yakima Center that should have been reduced in size to account for the recently renovated existing fuel storage facility."
3. This response is based on what was known at the time of the submittal and not what is currently happening with creation of two transformation brigades. The original project was to replace the existing facility and provide fuel for a heavy brigade to train at Yakima. The original assumptions were as follows: provide a ten-day supply of fuel with a daily requirement averaging 35,000 gallons for a total storage capacity of 350,000 gallons. The response refers to two projects. The Army is constructing a \$3.95 million FY 99 MILCON fuel facility at Yakima with a capacity of 350,000 gallons (300,000 JP8), scheduled to be completed in August 2000. Defense Energy Support Center (DESC) completed renovation of the existing Yakima fuel facility in April 1998 at a cost of \$1.3 million with capacity of 140,000 gallons (100,000 JP8).


DAIM-FD

SUBJECT: Audit Report on Bulk Fuel Storage and Delivery Systems Infrastructure Requirements for Yakima Training Center, Washington (Project No. D1999-D000CG-0088.000) (formerly Project No. 9CG-5049.00)

4. The audit report questioned the need for a ten-day supply of fuel with no record of an interruption in supply. This is a judgment call with a significant impact on training time and dollars if proven wrong. The brigade's 488 tracked vehicles are transported by train to Yakima; the 760 wheeled vehicles travel 176 miles from Fort Lewis. Assembling the brigade's personnel and equipment at Yakima for training with the current limited training dollars and advance planning that is required would lead one to error on the conservative side to minimize the impact of a failed delivery.

5. The project was designed to supply fuel to a heavy brigade during training. The average daily fuel consumption is based on how robust the training exercise is and who is training. A mechanized brigade actively involved in offensive operations uses 118,000 gallons of fuel per day. The National Training Center (NTC) had the best information on fuel requirements for a heavy brigade during actual training rotations. Fuel consumption is not uniform during a 10-day rotation. The NTC's average fuel usage for JP8 during a rotation listed one high day value of 60,000 gallons with an average 35,000-40,000 gallons for the remaining days. This includes fuel for an OPFOR. We believe the above data demonstrates that 10-days at 30,000 gallons per day for JP8 is not an unreasonable design and that a total storage capacity of 350,000 is supported.

6. This action was coordinated with ODCSLOG (Mrs. Janet Hall), APC (Mr. Jim Hugar), AFDCG-IR (Mr. George Brothers), and DAIM-ZR (Mr. Joe Dailey). POC is Mr. David Carter, DAIM-FDC, phone (703) 692-9204, e-mail cartedw@hqda.army.mil.


R. L. VAN ANTWERP
Major General, U.S. Army
Assistant Chief of Staff
for Installation Management



DEPARTMENT OF THE ARMY
HEADQUARTERS UNITED STATES ARMY FORCES COMMAND
1777 HARDEE AVENUE SW
FORT MCPHERSON GEORGIA 30330-1062

REPLY TO
ATTENTION OF

AFDCG-IR

**MEMORANDUM FOR OFFICE OF THE ASSISTANT CHIEF OF STAFF FOR
INSTALLATION MANAGEMENT, 600 ARMY PENTAGON,
WASHINGTON D.C. 20310-0600**

**SUBJECT: Department of Defense Inspector General (DODIG) Draft Report on
Bulk Fuel Storage and Delivery Systems Infrastructure Requirements for Yakima
Training Center, Washington**

1. Reference subject draft report dated 2 May 2000.
2. Forces Command (FORSCOM) has reviewed the subject report and our comments to the recommendations are provided below. This Headquarters has also reviewed Fort Lewis' comments to the report and recommendations. The Fort Lewis comments are at attachment 1. This Headquarters agrees with the corrective actions being taken by Fort Lewis and also agrees with Fort Lewis that there is a requirement for the new fuel point.
3. Following are the comments on the recommendation addressed to FORSCOM and are keyed to the specific recommendations addressed in the report.

a. Page 13, paragraph 2.a. "Establish procedures to implement Army Regulation 415-15, 'Army Military Construction Program Management and Execution, August 30, 1994, to review project documentation to ensure that requirements are valid and conform to current objectives, policies and procedures."

FORSCOM Comments: Concur. Forces Command has procedures in place to annually review military project justifications. However, as identified by the DODIG report, improvements were needed to ensure that all project data is updated. Current procedures call for annual video tele-conferences with the installations and major subordinate commands. During these conferences, all projects submitted are discussed to ensure updated information is provided on the DD form 1391, Military Construction Project Request.

b. Page 13, paragraph 2.b. "Establish Procedures to Implement Army Petroleum Center Policy that requires the major Army Commands to submit fuel storage facility projects to the Army Petroleum Center for review"

FORSCOM Comments: Concur. Forces Command has established procedures to coordinate fuel storage facility projects with the Army Petroleum Center. Forces Command, Office of the Deputy Chief of Staff, Logistics (DCSLOG) has been designated as the primary action officer for collection of fuel storage requirements for Maintenance, Repair and Environmental (MR&E) projects. Army

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AFDCG-IR

SUBJECT: Department of Defense Inspector General (DODIG) Draft Report on Bulk Fuel Storage and Delivery Systems Infrastructure Requirements for Yakima Training Center, Washington

Petroleum Center (APC) provides guidance every year for collecting data for future project requirements, which FORSCOM provides to the installations. The FORSCOM Engineer, in coordination with DCSLOG, will request Installation Directorate of Public Works (DPW) to coordinate with their Directorate of Logistics (DOL) for their annual submission of MR&E project requirements to FORSCOM headquarters. The FORSCOM Engineer will review the documents in accordance with AR 420-10 and DA PAM 420-11 and make the necessary adjustments to the DD Form 1391. Project priorities will be established by the DCSLOG based on mission requirements before submission to the APC for funding.

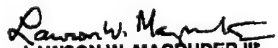
4. Additional Comments. Forces Command agrees that the project justification for the military construction project was not updated and we are unable to locate the original documentation supporting justifying the additional requirements. However, this Headquarters agrees with Fort Lewis that the additional bulk fuel facilities at Yakima are fully justified.

- The original justification for the project was based on (i) the need to upgrade current facilities to meet environmental and operational requirements, (ii) to support training for an anticipated second brigade to be stationed at Fort Lewis, and (iii) relocation of the fuel facility from the cantonment area to the training area. The first issue was resolved with the maintenance, repair, and environmental project. The second and third reasons are still valid. Yakima will support the training for the Army's new interim brigades. Also, placing the refueling station at the ranges, reduces travel up to 31 miles.

- The planning for the facilities was based on a surge requirement to meet training requirements versus a sustained annual usage. This is still a valid requirement. For example, during the 4th quarter FY 99 the brigade conducted a large gunnery and maneuver exercise at Yakima Training Center. The Yakima fuel site issued over 580,000 gallons of JP-8 fuel in July and August 1999 in support of these exercises.

5. If you should require additional information, please contact Mr. Dennis Joe at (404) 464-5404.

Encl


LAWSON W. MAGRUDER III
Lieutenant General, USA
Deputy Commanding General/
Chief of Staff



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
HEADQUARTERS, 1 CORPS AND FORT LEWIS
P.O. BOX 396000
FORT LEWIS, WASHINGTON 98433-6000

AFZH-GC

13 June 2000

MEMORANDUM FOR Inspector General, Department of Defense, The Contract
Management Directorate, ATTN: 400 Army Navy Drive,
Arlington, Virginia 22202-2884

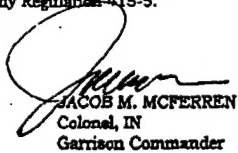
SUBJECT: Audit Report on Bulk Fuel Storage and Delivery Systems
Infrastructure Requirements for Yakima Training Center, Washington (Project
No. D1999-D000CG-0088.000) (formerly Project No. 9CG-5049.00)

1. Garrison Commander, Fort Lewis concurs with recommendations 1a and 1b. Garrison Commander will issue a memorandum to Commander, Yakima Training Center and Director Public Works re-emphasizing that, in the future, they comply with the MILCON procedures set forth in Army Regulation 415-15. Action will be completed by August 1, 2000.
2. Garrison Commander, Fort Lewis non-concurs with that portion of the finding which states that the Yakima Training Center does not have a requirement for a new fuel point. Yakima Training Center is a training destination, i.e. units deploy to train there, and it is our mission to support them. Given that mission, we believe support for normal operations, for a 5 day period, should be calculated during 5 days when we have a brigade sized element training here. Estimates or requirements based on an annual average are misleading, since a majority of the time we have much smaller units here. Additionally, fuel consumption has also been constrained the last several years because units were not funded to run their tanks or Bradleys as they had in the past. However, at mobilization (which we must be prepared for) we would expect a marked increase in vehicle miles and therefore fuel consumption.
3. The new Interim Brigade Initiative designated by the Chief of Staff of the Army will create two motorized brigades now at Fort Lewis. Although the end state vehicle is not selected, we anticipate a dramatic increase in vehicles and fuel consumption. Currently there is one heavy brigade of three maneuver battalions. At the end state of the transformation there will be two motorized brigades of four maneuver battalions each for a total increase of five battalions over what we have now. We feel the fuel point will be a definite enhancement to our training support mission and to our mission as a mobilization station.

AFZH-GC

SUBJECT: Audit Report on Bulk Fuel Storage and Delivery Systems
Infrastructure Requirements for Yakima Training Center, Washington (Project
No. D1999-D000CG-0088.000) (formerly Project No. 9CG-5049.00)

4. The issuance and implementation of the Garrison Commander memorandum mentioned in paragraph 1 will ensure that future bulk storage MILCON projects at Yakima Training Center, will be adequately reviewed and validated in accordance with Army Regulation 415-5.



JACOB M. MCFERREN
Colonel, IN
Garrison Commander

CF:
George Munson - Internal Auditor
COL Conte - DFW
LTC Kennedy - YTC Commander



DEPARTMENT OF THE ARMY
HEADQUARTERS, 1 CORPS AND FORT LEWIS
P.O. BOX 338500
FORT LEWIS, WASHINGTON 98433-8500

REPLY TO
ATTENTION OF:

AFZH-GC

13 June 2000

MEMORANDUM FOR:

Commander, Yakima Training Center, AFZH-YTC, Yakima, WA 98901
Director, Public Works, AFZH-YPW, Yakima Training Center, Yakima, WA
98901

SUBJECT: Lessons Learned: Department of Defense Inspector General Report:
Project D1999-D000 CG-0088.000 - Yakima Training Center POL Point

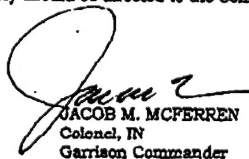
1. The subject DOD IG report identified shortfalls in this installation's MILCON review procedures which must be corrected.

a. The Commander, Yakima Training Center is directed to notify both the Fort Lewis Garrison Commander and the Director, Public Works, when any pending MILCON project is affected by changing requirements of either the Yakima Training Center or the customers it supports.

b. The Director, Public Works, is directed to review all MILCON projects periodically to ascertain if requirements have changed, and to prepare correspondence, through the Garrison Commander, notifying Forces Command of the changed requirement.

c. Further, the Director, Public Works will ascertain if Army Agencies outside normal command channels are required to review the MILCON project, and will advise Forces Command of that requirement in project documentation. Applicable agencies will also be provided a copy of correspondence notifying Forces Command of changed requirements.

2. Questions regarding this policy should be directed to the Command Auditor.


JACOB M. MCFERREN
Colonel, IN
Garrison Commander

CP:
George Munson - Internal Auditor
COL Conte - DPW
LTC Kennedy - LTC Commander

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Audit Team Members

The Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report.

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INTERNET DOCUMENT INFORMATION FORM

A. Report Title: Bulk Fuel Storage and Delivery System Infrastructure for Yakima Training Center, Washington

B. DATE Report Downloaded From the Internet: 08/29/00

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #): OAIG-AUD (ATTN: AFTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, VA 22202-2884

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials: __VM__ Preparation Date 08/29/00

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